

## Message Text

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41

ACTION EB-04

INFO OCT-01 SS-04 ISO-00 NSC-04 NSCE-00 TRSE-00 FRB-03

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P R 071716Z FEB 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 3170

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

C O N F I D E N T I A L ROME 1847

LIMDIS GREENBACK

E.O. 11652: GDS

TAGS: EFIN IT

SUBJECT: EC GOLD SETTLEMENTS; POSSIBLE ITALIAN BORROWING IN  
US CAPITAL MARKET

PASS TREASURY AND FRB

REF: ROME 1698

1. SUMMARY. IN TALK WITH BANK OF ITALY VICE DIRECTOR  
GENERAL OSSOLA AND TREASURY DIRECTOR GENERAL  
PALUMBO FEBRUARY 7, WE LEARNED THAT OSSOLA HOPES TO  
SPEAK TO UNDER SECRETARY VOLCKER NEXT WEEK ABOUT STATUS  
OF INTRA-EC GOLD SETTLEMENT SCHEME AND THAT ITALIANS MAY  
INFORMALLY EXPLORE US VIEWS ON POSSIBLE ITALIAN BORROWING  
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IN US CAPITAL MARKET TO HELP FINANCE BALANCE OF PAYMENTS

DEFICIT. END SUMMARY.

2. OSSOLA AND PALUMBO CONFIRMED THAT THEY PLANNED TO ATTEND WASHINGTON ENERGY CONFERENCE. THEY, PLUS TREASURY MINISTER LA MALFA AND DOTT. SPAVENTA FROM BUDGET MINISTRY WOULD CONSTITUTE FINANCIAL COMPONENT OF ITALIAN DELEGATION TO CONFERENCE. OSSOLA SAID THAT HE HAS BEEN CHARGED BY EC MONETARY COMMITTEE WITH DRAWING UP PROPOSAL FOR INTRA-EC GOLD SETTLEMENT SCHEME WHICH HE WOULD LIKE TO DISCUSS INFORMALLY WITH TREASURY UNDER SECRETARY VOLCKER IN WASHINGTON NEXT WEEK. FROM COMMENTS MADE BY PALUMBO, IT APPEARS THAT THIS SUBJECT MAY BE INCLUDED ON AGENDA FOR EC MINISTERS OF FINANCE MEETING FEBRUARY 18-19.

3. WHEN ASKED ABOUT RUMORS THAT SOME ITALIAN ENTITY (POSSIBLY MEDIOBANCA) IS CONTEMPLATING \$1.5 BILLION LOAN FROM US (SEE REFTEL) TO HELP FINANCE EXPECTED 1974 BALANCE OF PAYMENTS DEFICIT, BOTH OSSOLA AND PALUMBO ADMITTED THAT ITALIANS ARE INTERESTED IN EXPLORING THE POSSIBILITY, ALTHOUGH NO DECISION HAS BEEN TAKEN. THEY INTERPRETED REMOVAL OF US CAPITAL CONTROLS AS EVIDENCE THAT US MIGHT NOT OBJECT TO SUCH OPERATIONS BUT THOUGHT THAT ANY COUNTRY WISHING TO BORROW ON LARGE SCALE IN US MARKET SHOULD, OF COURSE, INFORMALLY SOUND OUT US TREASURY IN ADVANCE. THE WONDERED WHETHER TREASATT KNEW ANYTHING ABOUT POSSIBLE \$3 BILLION BORROWING IN US CAPITAL MARKET BY JAPANESE WHICH THEY HAD READ ABOUT IN BRUSSELS PRESS. PALUMBO NOTED THAT NO EUROPEAN COUNTRY WANTED TO BE LAST IN LINE FOR BORROWING IN US MARKET TO FINANCE ITS DEFICIT. OSSOLA THOUGHT THAT AFTER REOPENING OF US CAPITAL MARKET SOME SPECIALIZATION WOULD DEVELOP BETWEEN US MARKET AND EUROMARKET WHEREBY US MARKET WOULD TEND TO SPECIALIZE IN LONG-TERM LENDING WHILE EUROMARKET WOULD TEND TO CONCENTRATE ON SHORTER-TERM LENDING BECAUSE OF SHORT-TERM DEPOSIT BASE.

4. PALUMBO INDICATED INFORMALLY THAT MINISTER LA MALFA CONTEMPLATED THAT MINISTERS OF FINANCE AND OTHER

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FINANCIAL EXPERTS IN WASHINGTON FOR ENERGY CONFERENCE MIGHT PICK UP THEMES TOUCHED UPON ALREADY AT C-20 MEETING IN ROME. IT WOULD BE INTERESTING, FOR EXAMPLE, TO HAVE DISCUSSION OF VARIOUS COUNTRIES' PLANS FOR FINANCING ANTICIPATED 1974 DEFICITS. VOLPE

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## Message Attributes

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